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B1, 1.4(B), 1.4(D)

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ACTION WHA-00

INFO	LOG-00	MFA-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00
	DINT-00	DODE-00	SRPP-00	DS-00	EB-00	EXIM-01	E-00
	VC-00	FRB-00	H-01	TEDE-00	INR-00	ITC-01	LAB-01
	L-00	VCE-00	AC-01	NSAE-00	OES-00	OMB-01	OPIC-01
	PA-00	PM-00	PRS-00	ACE-00	P-00	SP-00	IRM-00
	SSO-00	STR-00	TRSE-00	USIE-00	ASDS-00	EPAE-00	PMB-00
	DSCC-00	PRM-00	DRL-02	G-00	NFAT-00	SAS-00	/010W

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O 232030Z JAN 03
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC IMMEDIATE 9627
INFO DEPT OF COMMERCE WASHDC PRIORITY
DEPT OF ENERGY WASHDC PRIORITY
NSC WASHDC PRIORITY
OPEC COLLECTIVE
AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY MEXICO
AMEMBASSY PORT OF SPAIN
AMEMBASSY QUITO
AMEMBASSY SANTIAGO

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NSC FOR LLORENS

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ENERGY FOR D.PHUMPHREY, A.LOCKWOOD, M.BILLIG, AND B.MARCOIS
STATE PASS USAID FOR DCHA/OTI - R.ULLRICH AND R.PORTER

E.O. 12958: DECL: 01/22/2013
TAGS: EPET, PGOV, ASEC, VE
SUBJECT: VENEZUELAN OIL PRODUCTION UPDATE: JANUARY 23, 2003

CLASSIFIED BY: CHARGE D'AFFAIRES FREDERICK B. COOK; REASONS 1.5 (B) AND
(D)

SUMMARY

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1. (C) THE PETROLEOS DE VENEZUELA (PDVSA) OPPOSITION PUTS DAILY PRODUCTION ON JANUARY 23 AT 812,000 BARRELS. POST ESTIMATES THAT PRODUCTION MAY ACTUALLY BE AS HIGH AS 900,000 TO 1 MILLION BARRELS PR DAY (B/D). MUCH OF THIS CRUDE IS COMING OUT OF PDVSA,S EASTERN OPERATIONS THAT ARE EASIER TO RE-START, BUT A NUMBER OF THE THIRD-PARTY OPERATORS HAVE ALSO RE-STARTED AT LEAST SOME OF THEIR PRODUCTION AND PDVSA HAS, AT LEAST INFORMALLY, APPROACHED THE FOUR EXTRA HEAVY CRUDE ORINOCO BELT PRODUCERS TO DISCUSS THEIR NEEDS. IT APPEARS THAT PDVSA IS PUTTING MORE EMPHASIS ON INCREASING PRODUCTION TO GENERATE EXPORT REVENUES AND LESS EMPHASIS ON GETTING ITS REFINERIES UP. THE DOMESTIC GASOLINE MARKET IS LIKELY TO BE SUPPLIED WITH IMPORTED PRODUCTS. END SUMMARY.

GLOBAL OIL PRODUCTION

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2. (C) ACCORDING TO THE DAILY OPERATIONAL REPORTS BY THE PDVSA OPPOSITION GROUP &GENTE DE PETROLEOS (PETROLEUM PEOPLE), BETWEEN JANUARY 21 AND 22 VENEZUELAN OIL PRODUCTION ROSE BY 40,000 BARRELS) FROM 674,000 BARRELS TO 714,000 BARRELS. BETWEEN JANUARY 22 AND 23, IT ROSE A THUMPING 98,000 BARRELS TO 812,000 BARRELS. PRODUCTION HAS BEEN STEADILY INCREASING FOR THE PAST TWO WEEKS AND MUCH OF IT IS COMING FROM FIELDS IN EASTERN VENEZUELA. ACCORDING TO A DETAILED VERSION OF THE JANUARY 23 REPORT PASSED TO ECONOFF, 498,000 BARRELS CAME OUT OF EASTERN VENEZUELA. THIS WAS BROKEN DOWN TO INDICATE 400,000 BARRELS COMING OUT OF PDVSA-OPERATED FIELDS; 86,000 BARRELS COMING FROM FIELDS OPERATED BY THIRD PARTIES (THE &CONVENIOS8); AND 12,000 BARRELS OF CRUDE PRODUCED BY PDVSA GAS IN CONJUNCTION WITH ITS GAS OPERATIONS. MOST OF THE 98,000 BARREL DIFFERENCE BETWEEN JANUARY 22 AND 23 IS IDENTIFIED AS HAVING COME FROM PDVSA,S OWN FIELDS IN EASTERN VENEZUELA. PRODUCTION FROM BARINAS AND APURE IN THE SOUTH, HOWEVER, ALSO GREW BETWEEN JANUARY 22 AND 23) FROM 75,000 TO 92,000 BARRELS. SOUTHERN PRODUCTION IS THUS ALMOST COMPLETELY BACK TO NORMAL. ACCORDING TO THE &GENTE DE PETROLEOS REPORT, WESTERN PRODUCTION ACTUALLY FELL BY 17,000 BARRELS BETWEEN JANUARY 22 AND 23, FROM 239,000 TO 222,000 BARRELS. OF THIS 222,000 BARRELS, 128,000 WAS PRODUCED BY PDVSA ITSELF WHILE 94,000 BARRELS WAS PRODUCED BY THE &CONVENIOS.8

3. (C) AS NOTED ABOVE, MUCH OF THIS STEADY INCREASE IN VENEZUELAN CRUDE PRODUCTION IS COMING OUT OF PDVSA,S EASTERN OPERATIONS WHERE LIGHTER CRUDES AND NEWER RESERVOIRS MAKE IT

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RELATIVELY EASIER TO RE-START OPERATIONS.

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AS NOTED ABOVE,
ALMOST HALF OF THE PRODUCTION COMING OUT OF THE WEST IS BEING
PRODUCED BY THE THIRD-PARTY OPERATORS. A
SOURCE INFORMED ECONOFF JANUARY 23 THAT THE WOOD GROUP, WHICH
HANDLES WATER RE-INJECTION INTO LAKE MARACAIBO RESERVOIRS,
HAS NOT YET RESUMED OPERATIONS.

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	EXIM-01	E-00	VC-00	FRB-00	H-01	TEDE-00	INR-00
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	OMB-01	OPIC-01	PA-00	PM-00	PRS-00	ACE-00	P-00
	SP-00	IRM-00	SSO-00	STR-00	TRSE-00	USIE-00	ASDS-00
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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC IMMEDIATE 9628
INFO DEPT OF COMMERCE WASHDC PRIORITY
DEPT OF ENERGY WASHDC PRIORITY

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THIRD-PARTY OPERATORS

6. (C) MANY, THOUGH NOT ALL, OF THE FOREIGN OPERATORS WHO
STOPPED PRODUCTION IN DECEMBER HAVE ALSO RE-STARTED
OPERATIONS. [REDACTED] INFORMED ECONOFF ON JANUARY 23 THAT
[REDACTED] TOTAL THIRD-PARTY PRODUCTION MAY NOW HAVE
REACHED AS MUCH AS 300-350,000 B/D (OUT OF A POSSIBLE
CONTRACTUAL MAXIMUM OF 600,000 BARRELS). IF TRUE, THIS IS
ALMOST DOUBLE THE 180,000 BARRELS THE AGENTE DE PETROLEO8
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JANUARY 23 REPORT CITES AS COMING FROM THE &CONVENIOS.8 IT IS, THEREFORE, POSSIBLE THAT NATIONAL PRODUCTION IS ACTUALLY SOMEWHERE BETWEEN 900,000-1 MILLION B/D) CLOSE TO THE CLAIMS MADE BY SENIOR GOV OFFICIALS.

7. (C) AS WE HAVE REPORTED PREVIOUSLY, PRODUCTION AT CHEVRONTEXACO,S BOSCAN AND LL-652 FIELDS IN THE WEST CONTINUED THROUGHOUT THE STRIKE. WE HAVE LEARNED THAT PRODUCTION AT THE LA CONCEPCION FIELD IN THE WEST ALSO CONTINUED THROUGH THE STRIKE. WE BELIEVE, HOWEVER, THAT PRODUCTION AT THE COLON AND D.Z.O. FIELDS IN THE WEST HAS RESUMED IN THE PAST WEEK OR SO. PRODUCTION AT BP,S BOQUERON FIELD AND TOTALFINAELF,S JUSEPIN FIELD, BOTH IN THE EAST, HAS ALSO RE-STARTED. THIS PRODUCTION FOR THE MOST PART (LL-652 IS AN EXCEPTION) HAS NOT REACHED MAXIMUM LEVELS. OUR [REDACTED] NOTED THAT PDVSA HAS NOT BEEN ABLE RELIABLY TO TAKE THE CRUDE PRODUCED SO SOME OF THE PRODUCTION CONTINUES TO GO INTO STORAGE. THERE ARE ALSO MANY UNCONFIRMED RUMORS ABOUT PIPELINE PROBLEMS RANGING FROM STORIES THAT SOME PIPELINES ARE BLOCKED BY SOLIDIFIED MATERIAL TO QUESTIONS ABOUT THE ABILITY OF THE REMAINING PDVSA OPERATORS TO OPERATE THE PIPELINES. IN THESE CIRCUMSTANCES, SOME OPERATORS BELIEVE THAT PDVSA WILL BE PRESSURING THEM TO START AND STOP OPERATIONS) SOMETHING THAT IS DANGEROUS AND EXPENSIVE TO DO.

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EXTRA-HEAVY CRUDE STRATEGIC ASSOCIATIONS

8. (C) PDVSA IS ALSO REPORTEDLY PUTTING PRESSURE ON THE FOUR
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EXTRA-HEAVY CRUDE ORINOCO BELT OR &FAJAS PROJECTS TO
RE-START PRODUCTION. [REDACTED]

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[REDACTED] INFORMED ECONOFF JANUARY 22 THAT HE HAD RECEIVED INFORMAL WORD CONCERNING A POSSIBLE JANUARY 24 MEETING EASTERN DIVISION MANAGER MARIN TO EXPLORE WHAT THE EXTRA HEAVY CRUDE OPERATIONS WOULD NEED TO RE-START OPERATIONS. ACCORDING TO [REDACTED] THIS WOULD INCLUDE:

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-- PORT OPERATIONS AT INTERNATIONAL STANDARDS VERIFIED BY INDEPENDENT VERIFICATION AGENCIES;
-- A DEPENDABLE SUPPLY OF NATURAL GAS FOR USE BOTH AS A FUEL AND AS FEEDSTOCK FOR HYDROGEN PRODUCTION. THE EXTRA HAVE CRUDE UPGRADERS USE THE HYDROGEN IN THEIR PROCESSES;
-- SECURITY FOR ITS PIPELINE OPERATIONS;
-- AND, FINALLY, SOME DEGREE OF SECURITY FOR ITS OVERALL OPERATIONS.

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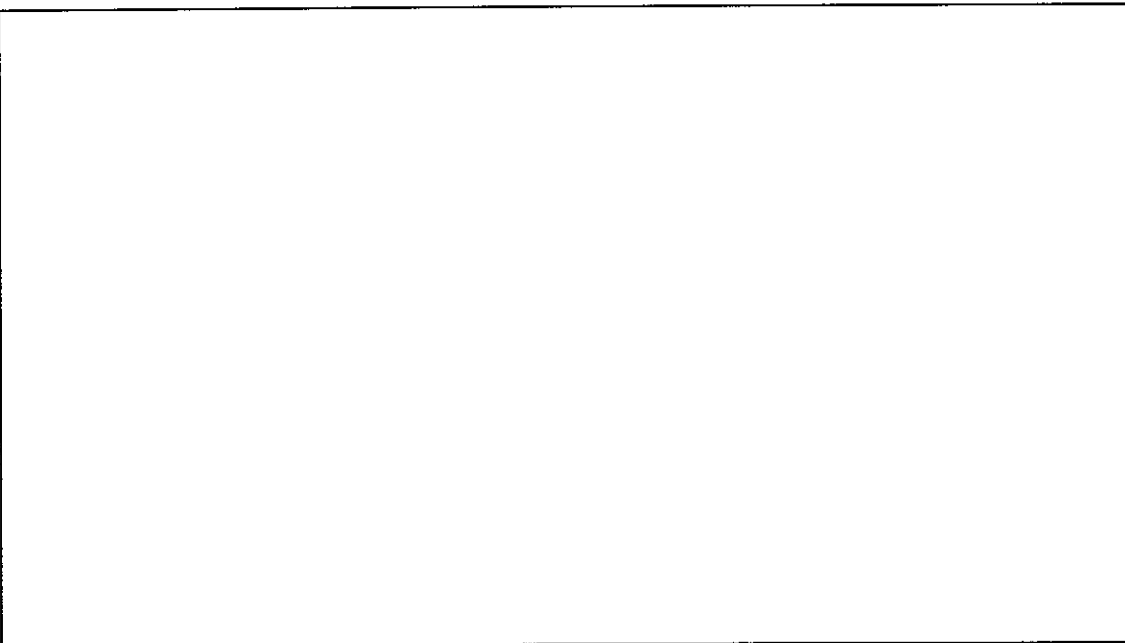
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